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CENTRAL INTELLIGENCE AGENCY

REPORT NO.

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## INFORMATION REPORT

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COUNTRY Germany

DATE DISTR. 2 July 1951

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Resulting from Shortages of Raw Materials

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1. The shortage of steel in the Russian Zone seems to have grown acute. Numerous reports indicate layoffs in plants affected by the shortage. At the Volkswerft Stralsund, 3,000 workers, about one-third of the complement, were given an unexpected six weeks' vacation. At the Schalldämpfer- und Karosserieteilewerk, Leipzig W 31, Markranstädterstrasse, which belongs to the VVB Ifa, 400 workers were discharged early in April. The Waggonbau Verdau has discharged more than 300 employees and scheduled 400 more for discharge. The Werk Horch, Zwickau, laid off 350 and started a general plant beautification program to keep others busy. At Marienhütte Cainsdorf, (Wismut AG Object 34), over 400 employees were laid off and 160 at the Grubenlampenwerke (Friedmann & Wolf), Zwickau. Other industries also had to reduce operations apparently because of a lack of spare parts. Fürster & Borries, Zwickau, the largest printing plant in Saxony, laid off 300 employees. Other plants in the graphics branch laid off 500 workers, while textile plants in Leipzig laid off 240. When the workers raised questions as to why so many employees were being dismissed at the beginning of the Five-Year-Plan, they were told that the Western Zones' steel embargo was directly responsible.
2. The Russian Zone Government has made various efforts to overcome the shortages, including illegal trade with the West. According to recent reports, the Eisen- und Stahl AG (formerly Thyssen), has, over a period of months, delivered thousands of tons of steel and rolling mill products to the Russian Zone via the firm's Berlin subsidiary. The trade was arranged by Dr. von Broich, president of the recently dissolved Vereinigung Berliner Im- und Exporteure. Dr. von Broich has excellent connections with Joseph Orlopp, of the DDR's Ministry for Interzonal and Foreign Trade and Material Allocation (MIAM).

3. [redacted] DDR authorities realize that illegal trade with West-Germany is not a satisfactory solution to their problem and they are hoping either to eliminate the necessity for or to legalize deliveries from West-Germany. According to a report written by one Karsten, a division chief in MIAM, the DDR Government is stiffening in its attitude toward the new West-German trade agreement. It intends to stop delivery of soft coal to the West and Berlin, if West-Germany enforces the embargo on phosphates. To overcome the East-German coal shortage, arrangements have been made to increase deliveries from Poland. In anticipation of a curtailment of deliveries of rolling mill products from West-Germany, negotiations for additional material from Sweden are in progress. A triangle trade involving Sweden is also under consideration for rubber products. This applies specifically to an order for DM 2 million worth of conveyor belts from the Berlin firms Phoenix\* and Conti-Gummi.\*

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4. Finally, the DDR is making frantic efforts to increase local production of essential materials. To increase steel production, two beds for construction profiles have recently been added to the Hennigsdorf rolling mills. While their entire output at present goes to Russia or at least is utilized for the benefit of the Soviet Occupation authorities, the new additions increase the Russian Zone production potential and possibly free other production for local use. The Hennigsdorf plant now employs 7,400 workers and has four 40-ton blast furnaces in operation.
5. There have also been some changes in the Stahl-und Walzwerk Brandenburg/Havel. The plant has stopped production of construction profiles because the local furnaces can no longer produce acceptable pig. Attempts to use pig from other Russian Zone plants proved expensive, impractical and time-consuming. The Havel plant will henceforth be used for the production of aluminum alloys and calcium carbide products, two items which are essential to Russian Zone industry and for which no other production facilities exist. Parts of the production capacity will be transferred to the former Berliner Stahlbau AG, Berlin-Lichtenberg, Herzbergstrasse, which now belongs to VVB Abus and which after 1 June 1951 will be known as Stahl-und Walzwerk Brandenburg, Zweigwerk Berlin. Some of the beds from the Havel plant will be re-erected at this plant. At present the plant produces single track railroad bridges with a span length of 109 meters for which profiles are produced at Hennigsdorf. The bridges are sent to the USSR.

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